

The Loan Arranger

Fall/Winter 2007

Revolving Loan and Operator Certification Section
Environmental Science and Services Division
Michigan Department of Environmental Quality 

Handling Sanitary Sewer Clean-Out Waste

Project planning activities under the S2 Grant and State Revolving Fund (SRF) programs often include sewer cleaning and televising. As a public agency, the Department of Environmental Quality (DEQ) requires municipalities, their consultants, and contractors to adhere to all applicable federal, state, and local laws, rules, and regulations.

Properly handling wastewater residuals is just as important as complying with laws for air pollution control, solid and hazardous waste management, and the protection of water resources, inland lakes, streams, and wetlands. Residuals include solids, sludges, biosolids, filter backwash, and other potential pollutants generated during the collection and treatment of wastewater.

Sanitary sewer and storm sewer clean-out residue removed from sewer systems is regulated as liquid industrial waste (LIW) when it contains free liquids and has not been contaminated by spills or releases that would make it a regulated hazardous waste. A paint filter test is the method used to determine if a solid/liquid mixture contains free liquids.

The DEQ Waste and Hazardous Materials Division (WHMD) oversees the requirements for managing LIW pursuant to Part 121, Liquid Industrial Waste, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA) and the Hazardous Materials Transportation Act (Act 138 of 1998). Disposal of solids is regulated under Part 115, Solid Waste Management, of the NREPA. The Water Bureau oversees all sewer system regulations, and is developing guidance with the WHMD concerning catch basin clean-out activities.

In the case of sewer cleaning projects, the generator of the sewer clean-out waste (a LIW) is the entity responsible for the sewer system. There are specific requirements for any LIW generator, the contractor or municipality transporting and disposing of the waste, and the designated facility accepting the waste.

The generator requirements are summarized in the *Liquid Industrial Waste Generator Requirements* guidance that will soon be posted on the WHMD website at www.michigan.gov/deqwaste. These requirements include notifying the WHMD about the generator's waste activities, obtaining a site identification number, and managing and disposing of the waste properly. Proper waste handling includes hiring permitted transporters (if a municipally owned and



operated vehicle is not being employed), and using uniform waste manifests or meeting alternative shipping record requirements.

Commercial transporters must be permitted and registered under the *Michigan LIW Uniform Program* and obtain a site identification number. This program also includes requirements for managing the waste, manifesting and other recordkeeping, and insurance coverage. Municipalities operating their own trucks are not required to be permitted and registered; however, they still are subject to the requirements of Part 121 of the NREPA, including manifesting, recordkeeping, and proper disposal.

A LIW transporter must carry a copy of his/her credentials and manifest with each load of LIW. The LIW transporter must complete the transporter section of the uniform hazardous waste manifest (EPA form 8700-22) which is also used for LIW shipments. The transporter must deliver the LIW and accompanying hazardous waste manifest only to a designated facility specified by the generator on the hazardous waste manifest.

The site accepting the waste must notify the WHMD that they are operating a designated facility, obtain a site identification number, and meet requirements identified in Part 121 of the NREPA. Drying beds may be used to remove the liquid portion from the residue and the remaining solid waste can be sent to a landfill with the landfill authority's approval, or the site owner may obtain permission from DEQ for alternative uses.

Questions about the management of sewer and storm sewer residues can be directed to the appropriate WHMD District Office or the Environmental Assistance Center at 800-662-9278.

DEQ's administration of an S2 Grant and an SRF Loan could be complicated if it is determined that a grant or loan applicant is in violation of the LIW regulations. DEQ actions may include the withholding of S2 or SRF funds until the matter can be resolved. A worst-case scenario might result in the termination of the grant or loan agreement.

We encourage S2 and SRF municipalities to be aware of all environmental laws pertaining to proper handling and disposal of sewer-related residuals. Educating contractors and public works departments will go a long way toward protecting our environment and the public health.

This article was written by DEQ employees Judy Schaefer (ESSD), Cindy Clendenon (ESSD), and Hank Switzer (WHMD), with contributions by Larry AuBuchon (WHMD), Jeanette Noechel (WHMD), Timothy Shuker (OCI), and Ben Thierry (WB).

Application Reminders

By Wendy Jansma

As you prepare to negotiate milestone schedules this year to meet program application requirements, additional effort in a number of areas will help facilitate application reviews and approvals. Following are a few tips for those areas that have been problematic:

1. If you decide to use construction management (CM) to procure and administer construction contracts, a request for a waiver from competitive bidding requirements must be submitted with the draft plans and specifications. In addition to this notification, a copy of the CM services contract is also required that must detail the role of the CM firm and stipulate which party – the CM firm or owner – will contract with the trade contract providers. All trade contracts in excess of \$50,000 must be competitively bid. Please refer to the *Design Phase Guidance* for a detailed explanation of the CM process and other associated requirements which must be satisfied in connection with the application submittal.

Note: An executed copy of each contract for services that exceed \$50,000 must be submitted with the Part II Application. Applicants will need to ensure sufficient time is allowed, especially for the larger contracts involving engineering services, to negotiate the procurement and to obtain necessary authorizations from their governing body which will provide for the delivery of an

executed contract in accordance with the Part II Application deadline date.

2. Adequate documentation must be attached to your Part II Application submittal to support the costs included on the Project Cost Worksheet. It will be a wise investment of time to carefully read the instructions that are included with the application detailing the documentation that is required to support each line item on the project cost worksheet.
3. The Part III Application submittal requires a **resolution of tentative award from the governing body for each construction contract**. Please note that failure to submit this information by the Part III Application deadline date will render the application unapprovable for loan assistance. As milestone schedules are being negotiated, a “customized” date for reviewing the bidding information and passing the necessary resolutions should be built into the schedule based on the regular meeting dates of your governing body. This will assist in ensuring that the tentative contract award resolutions are available by the deadline and/or will alert you to the need for any special meetings which might be required to meet the deadline.

Minority Business Enterprises & Women Business Enterprises (MBE/WBE)

by Kyoko Wandell

Each Supplemental Agreement in the SRF and DWRP contains a requirement that loanees report MBE/WBE usage on their projects after the Order of Approval has been issued. The DEQ sends two letters to each SRF and DWRP loanee requesting it identify the utilization of MBE/WBE firms on its projects. One upon loan award and another the following quarter.

Background: As a result of the Supreme Court Decision in *Adarand Constructors, Inc. V. Peña*, President Clinton directed the Department of Justice (DOJ) to work closely with all federal agencies on their affirmative action plans to ensure that they are in compliance with *Adarand*. Therefore, the Environmental Protection Agency (EPA) has worked with DOJ to ensure that the EPA's MBE/WBE Program complies with these principles. Under EPA's guidance, each state must negotiate a “fair share” of construction, equipment, services and supply contracts for MBE/WBE providers based on availability.

DEQ Announces Loan Commitments

The Department of Environmental Quality's Director, Steven E. Chester, has announced 28 new loan commitments from the revolving fund programs. The State Revolving Fund (SRF) and Strategic Water Quality Initiatives Fund (SWQIF) provide low-interest financing for local units of government to make needed improvements to wastewater collection and treatment facilities, while assistance from the Drinking Water Revolving Fund (DWRF) finances improvements to public drinking water systems. The loans announced in September totaled over \$400 million.



"We continue to take huge strides in protecting and enhancing Michigan's irreplaceable water resources," said Director Chester. "While funding needed infrastructure improvements, these loans stimulate construction activity and represent a real investment in Michigan's environmental and economic future. They complete by far the busiest and most successful year to date for the revolving fund programs."

The funded SRF projects will see wastewater infrastructure improvements in 19 communities across the state, from Alpena to Sturgis, and from New Baltimore to Cadillac. Significant combined sewer overflow control projects will continue in the Rouge River Basin in the cities of Detroit and Dearborn. A number of other communities will upgrade wastewater collection and treatment facilities. Much of the SRF lending is supported by proceeds from the sale of Great Lake Water Quality Bonds, which were authorized by Michigan's voters in November of 2002.

These commitments bring SRF financing awarded to Michigan communities to date to over \$2.8 billion. These projects are further examples of the commitments being made by local units of government in Michigan to ensure protection of the state's valuable water resources and the public health of its citizens. The funded DWRF projects will see Arsenic treatment facilities constructed in Dryden, Green Oak Township (Livingston County) and Millington, while Radium treatment technology will be installed at Mason. Six other communities will finance improvements to their water supply and distribution systems.

The improvements financed by these loans will help ensure compliance with the requirements of the federal Safe Drinking Water Act and protect the public

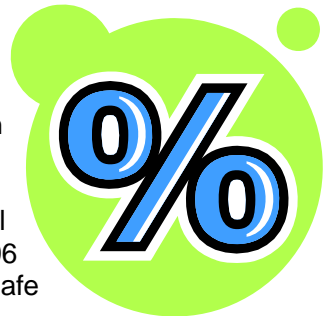
health of system users. Since the inception of Michigan's DWRF program in 1998, over \$480 million in assistance has been tendered.

Interest Rates Set for Fiscal Year 2008

The Department of Environmental Quality (DEQ) has set the fiscal year (FY) 2008 interest rates for the three revolving loan funds, the SRF, the DWRF, and the Strategic Water Quality Initiatives Fund (SWQIF) at 2.5%.

These rates are based upon the demand for financing in the coming year, anticipated future demand for financing, consideration of market interest rates available for borrowers, and evaluation of additional costs to borrowers for program participation in each fund. These factors are all exerting an upward pressure on program interest rates. With program demand escalating, particularly in the SRF and SWQIF programs, an increase in loan rates in FY 2009 and future years seems likely.

These rates will be incorporated into the state's Intended Use Plans for submission of capitalization grant applications, in accordance with the 1987 amendments to the federal Clean Water Act, and the 1996 amendments to the federal Safe Drinking Water Act.



Deadlines for Submission of Project Plans for the Fiscal Year 2009 Project Priority Lists:

Drinking Water Revolving Fund – Project Plans must be received in our office by close of business OR postmarked no later than May 1, 2008.

State Revolving Fund/Strategic Water Quality Initiatives Fund– Project Plans must be received OR postmarked no later than July 1, 2008.

Discount Rates Set for 2008

The Environmental Protection Agency has set the discount rate for FY 2008. For project planning that begins on or after October 1, 2007, a discount rate of **4 7/8 percent** (0.04875) should be used. This rate is the same as that used for planning that began in FY 2007.

Remember, this is NOT a rate that should be used to calculate debt retirement needs, but rather is used in cost effective analyses to "bring" future expenditures back into today's dollars for total present worth or equivalent annual cost comparisons.

Twenty Years of the SRF Questions and Answers

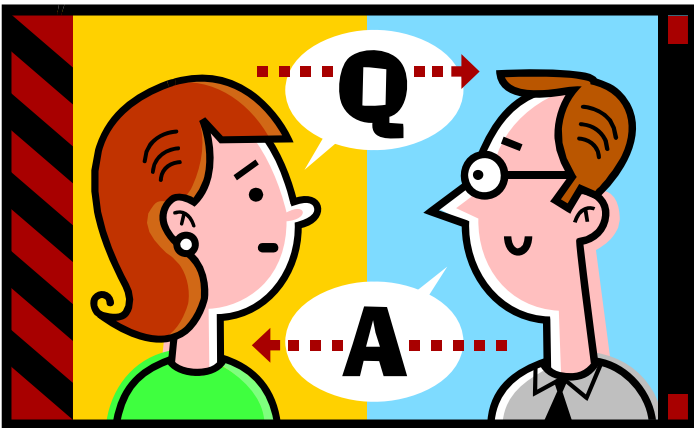
by Chip Heckathorn

What is the SRF and why is it important?

The SRF, sometimes referred to as the Clean Water State Revolving Fund, is the primary source of financial assistance available to local units of government to address water quality and public health problems caused by inadequate wastewater infrastructure or nonpoint sources of pollution. The fund can provide loan assistance at below market rates to finance the construction of projects to address these problems. Compared to open market borrowing, use of the SRF results in lower debt service costs for the community and its rate payers.

What's the outlook for state revolving fund loans over the next 1-5 years? How does this compare to previous years?

Michigan's SRF has been in operation since 1988 and has tendered over 300 loans totaling more than \$2.8 billion. Since the fund "revolves" (that is, loan payments from local borrowers return to the fund and can be used over and over) it will operate in perpetuity. From FY 2003-2006 we saw an annual demand in the SRF that averaged @ \$215 million/year. We have seen a large increase in demand for SRF assistance, with well over \$500 million in applications in both FY 2007 and 2008. We anticipate this trend will continue at least through 2012. We anticipate being able to tender @ \$2.5 billion in new loans over the next 5 years.



What is reason for the large increase in demand?

The vast majority of the increase can be traced to a number of large projects, many needed to address

major long standing combined sewer and sanitary sewer overflow problems. These projects had been in planning and design for a number of years, and were/are just now able to complete the SRF application process. We always knew these projects anticipated coming to the SRF, we just weren't sure when until now. We also see more communities coming to the SRF for projects to repair and replace aging infrastructure that is reaching the end of its useful life.

So far, the state has used very little of the Great Lakes Water Quality Bond Initiative money because of a lack of demand. However, do you believe we will utilize the full extent of available bond money now that the demand for money exceeds the amount otherwise available.

Although "only" \$47 million in Great Lakes Water Quality Bonds have been sold to date, SRF loans that were tendered in FY 2007 (\$465 million) and those that we anticipate in FY 2008 (over \$500 million) necessitate the delivery of significant additional capital from that initiative. At this time the state is anticipating selling \$180 million of SRF Proposal 2 bonds each year between 2008 and 2012, the maximum amount/rate permitted by law. In effect, we have already committed a significant portion of the Proposal 2 monies to loan recipients and will deliver funds through the sale of the bonds "just in time" to accommodate disbursements. Even with full utilization of the Proposal 2 authorization, we project the SRF may not be able to fully satisfy demand during that 5-year period.

The Legislature is cutting back on general fund investments in the revolving funds. Is the state jeopardizing federal dollars and what is the effect of this disinvestment over the long term?

To date those cuts have not jeopardized Michigan's access to Federal capitalization grants in either the SRF or the DWRP, although if cuts persist the loss of federal funds in future years will occur. The general fund cuts to date (over \$40 million) have, however, significantly reduced lending capacities in both funds and played a role in the need to raise loan interest rates in the programs for FY 2008.

The state revolving funds are geared towards fixing aging underground systems, yet there are pockets of tremendous growth in Michigan. What is the state doing to help fund sewer and water delivery systems in booming areas of the state? What other tools are available to help these municipalities?

The revolving funds were specifically created to address existing water quality and public health problems, and program restrictions limit the use of the funds to accommodate growth and development. Both the federal government and the DEQ are concerned about the negative impacts of sprawl, and we will

continue to focus infrastructure assistance efforts on well planned growth and the redevelopment of existing communities. Open market financing is always available to provide public sewer and water for new development, and many municipalities look to the developers in growth areas to finance needed infrastructure extensions. The Michigan Economic Development Corporation can sometimes be a source of technical and financial assistance in those situations.

Can you quantify the effect that the state's cleanup efforts are having in terms of limiting pollution, beach closings and other tangible results?

This is a very difficult question to answer because surface water quality and beach closings are impacted by a variety of influences. To date SRF assistance has almost entirely been focused on wastewater collection and treatment infrastructure, resulting in dramatic reductions in the discharge of untreated and inadequately treated municipal wastewater. Storm water discharges and non point sources of pollution, as well as the discharge of industrial wastes and animal wastes, also exert effects on the water quality of Michigan's lakes and streams.

Making Tracks

This fall the Revolving Loan and Operator Certification Section (RLOCS) has welcomed two new staff, promoted one of our own, and bid a fond farewell to another.



Ms. Karen Totzke comes to us from the Michigan State Police and joined RLOCS in September. She earned a Bachelors of Science

degree in Natural Resources Management from Grand Valley State University and is currently working on her Masters of Business Administration from Wayne State University. Karen entered into public service in 1999 with the Michigan State Police Emergency Management Division as a Project Impact/Michigan Hazard Mitigation Coordinator. Her job later evolved into a Mitigation Grants Coordinator where she was in charge of administering the Federal Emergency Management Agency's Pre-Disaster Mitigation Grant Program, and the Flood Mitigation Grant Program. Prior to entering state service, Karen worked as a lab analyst in a metals and organic chemistry lab. Karen enjoys working with the public and is looking forward to the new challenges with her job.

Mr. Eric Pocan has joined our section from another part of the Environmental Science and Services Division (ESSD). He earned a Bachelor of Arts degree in Environmental Science with a minor in

chemistry from Olivet College. Eric was hired by the Remediation and Redevelopment Division and worked as a Geological Technician with the Rose Lake group for three years after graduation. He then operated the mobile Gas Chromatograph laboratories for the Geological Services Unit. Eric joined the ESSD in the spring of 2007 as a project manager for the Clean Corporate Citizen Program. Eric is excited to have the chance to work with municipalities to upgrade drinking water and waste water systems.

Ms. Janet Monroe has accepted the position as the new East Unit supervisor for RLOCS. Janet has over 25 years experience as a project manager, managing projects largely in southeast Michigan. She graduated from the University of Michigan with a Bachelor of Science degree from the School of Natural Resources and a Master of Urban Planning degree. Most of Janet's projects are transferring to the East Unit to allow for continued oversight, and a smooth transition to project management staff. She looks forward to continuing productive relationships with communities and engineers.



Ms. Edwyna McKee has left the RLOCS's employment to enjoy the greener pastures of retirement. After 30 plus years with the state of Michigan, 16 of them in the revolving loan programs. Edwyna will sorely be missed by her co-workers and the projects/communities she left behind.

Thoughtful planning now may enable a community to be ready to apply for DWRP, SWQIF, and/or SRF assistance in FY 2009 and beyond. Contact the Revolving Loan and Operator Certification Section (addresses on back page) for more information on community participation in the loan programs.



If you know someone, who would like to be added to *The Loan Arranger* mailing list, or have an address change, please e-mail the editor, Ms. Deana M. Kinney, at Kinneydm@michigan.gov

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The Loan Arranger is published bi-annually by the Revolving Loan and Operator Certification Section.

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